POLOKWANE

MUNICIPALITY

VIREMENT POLICY

Approved by Council on 26 May 2016

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1 . DEFINITIONS

“Accounting officer’’ The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA

‘‘Approved budget’’ means an annual budget approved by a municipal council.

“Budget-related policy’’ means a policy of a municipality affecting or affected by the annual budget of the municipality

‘‘**Chief financial officer’’** means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the Accounting Officer.

“**Capital Budget**” This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods

‘‘Council’’ means the council of a municipality referred to in section 18 of the Municipal Structures Act.

“**Financial year**” means a 12-month year ending on 30 June.

“**Line Item**” an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures

“**Operating Budget**” the Municipality’s financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.

“**Ring Fenced**” an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

‘‘**Service delivery and budget implementation plan’’** means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality’s delivery of municipal services and its annual budget.

“**Virement**” is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

‘‘**Vote’’** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different Directorates or GFS classifications of the municipality; and which specifies the total amount that is appropriated for the purposes of the Directorates or GFS classifications concerned.

2. ABBREVIATIONS

“**CFO”** Chief Financial Officer
“**GFS**” Government Financial Statistics

"**IDP"** Integrated Development Plan
"MFMA" Municipal Finance Management Act No. 56 of 2003
"**SDBIP**" Service delivery and budget implementation plan

3. OBJECTIVE

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

4. VIREMENT CLARIFICATION

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Director and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

5. FINANCIAL RESPONSIBILITIES

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Chapter 4 of the MFMA)

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted for. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 32.

6. VIREMENT RESTRICTIONS

(a) No funds may be transferred between votes (Directorates) without approval in the adjustment budgets.

(b) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval.

(c) No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Mayoral Committee. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copier's or fax machines

(d) No virement may be made where it would result in unauthorised expenditure.

(e) If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.

(f) Virements are not allowed in respect of ring-fenced allocations.

(g) Virements are not allowed on the following items:- Bulk Purchases, Finance Charges, Depreciation, Debt Impairment, Contributions, Grant Expenditure and Income Foregone, Insurance and VAT

(h) Virements must be between projects of similar major funding sources (e.g CRR ↔ CRR)

(i) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)

(j) Virements are not allowed between Expenditure and Income.

(k) Virements are not allowed between capital and operational budgets without approval in the adjustment budgets.

(l) Virements towards personnel expenditure will not be permitted.

(m) No budget may be moved to or from a vote, programme or project etc. that will exceed 10% of that vote

- This refers to virement within a directorate that must not exceed 10% of that department's total approved budget of the following Sub-votes – Other Materials, Contracted Services and Other Expenditure

(n) Any virement in excess of 10% should be approved by Council, however this threshold shall not apply in case of emergency

(o) No virement may be made where it would result in over expenditure (MFMA Section 32);

7 .VIREMENT PROCEDURE

(a) All virement proposals must be completed on the appropriate documentation and forwarded to the Budget Office for verification and implementation.

(b) All virements must be approved by the Vote holder and/or relevant Manager in the case of a departmental budget transfer, and also by the relevant Director in the case of a transfer within a Directorate relating to the operational budget.
The following thresholds will apply:-
0-5% approved by Deputy Chief Financial Officer
Above 5 – 15% approved by Chief Financial Officer
Above 15%-20% approved by Accounting Officer

(c) Capital Budget Virement within a GFS Classification must be approved by the relevant manager and Director, the Municipal Manager and Director: Finance

(d) A virement form must be completed for all Budget Transfers.

(e) Must include changes to the SDBIP if applicable.

(f) All documentation must be in order and approved before any expenditure can be committed or incurred.

(g) All virements made must be reported in the monthly budget statement.